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DAN SMOOT

UNCLASSIFIED WASTE

Some time ago, the State Department set up the Office of the Inspector General of Foreign Assistance (IGA), to serve as watchdog on the handling of foreign aid programs by the Agency for International Development (AID).

Once a year, IGA submits reports summarizing its accomplishments in detecting waste, inefficiency, and errors in AID operations. The State Department makes available to congressional committees IGA's "unclassified" summaries. IGA's "classified" reports are not released. Consequently, the public cannot know what is in them, or why they are classified.

It would be characteristic of the bureaucracy to classify, and thus keep secret, reports on the most scandalous of AID's malfunctions, under the pretext of guarding national security. But IGA's "unclassified" reports on foreign-aid operations give us an inkling of how our tax money is being wasted all over the earth.

Almost every year, some Member of Congress puts IGA's unclassified report on foreign aid in the *Congressional Record*. This seems to have a reassuring effect on both Congress and the public. If the State Department is continuously investigating the handling of foreign aid and keeping Congress advised, surely errors, waste, fraud, and inefficiency are being eliminated! But they are not. Each IGA annual unclassified report on AID programs sounds like a rerun of the report for the year before.[1]

On March 7, 1969, Senator John J. Williams (Delaware Republican) put in the *Record* an IGA unclassified summary report giving 60 examples of AID's operations in 37 of the 120 countries receiving U.S. aid — primarily during 1968, though a few 1967 cases were included. Here are some samplings from the report:

In Bolivia, 53 trucks costing $320,000 (U.S. gift to the Bolivian Army) were lost. AID officials in Bolivia did not know the trucks existed, much less their location. IGA also found in Bolivia three U.S.-

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financed "mobile shop vans" that were unneeded and unused. They cost U.S. taxpayers $47,000.

In Brazil, an AID-financed airport-cleaning machine sat in a customs warehouse, unclaimed, for 11 years. A generator (U.S. gift to the Brazilian Air Ministry) sat unused for four years.

In Tanzania, IGA found that the AID mission had received duplicate funds for the same purchase — 38 typewriters costing $7728. The duplicate funds were not returned to the U. S. Treasury to lighten, by that much, the burden on U.S. taxpayers. "Other uses" were found for them — in Tanzania, presumably.

In Indonesia, American dollars were being spent locally to pay U.S. agency expenses, and housing rents and air travel for U.S. personnel — although the U.S. government holds an excessive amount of rupiahs, local currency which is useless to the U.S. unless spent in Indonesia to pay the expenses of U.S. operations in that country. IGA reported that "progress was made" in adopting a comprehensive policy of spending rupiahs in Indonesia instead of dollars, thus reducing the U.S. annual balance-of-payments deficit by nearly $500,000.

Several AID missions in Latin America create a U.S. balance-of-payments drain, totaling millions of dollars annually, by financing projects with dollars instead of available local currency.

In Uruguay, IGA arranged to let the Uruguayan Armed Forces sell used U.S.-financed jeeps, and to apply the proceeds on the purchase of new jeeps in the U.S. IGA said this would reduce repair costs and "assist the U.S. balance-of-payments situation." Obviously, we not only give them the jeeps but also pay for repairs and maintenance. To stop this outflow of American dollars to pay for the upkeep of used jeeps in Uruguay, we will help Uruguay buy new jeeps!

AID contributed $495,000 to the Ivory Coast for a fishing ship that was virtually useless, because of technical and operating problems which showed up on the ship's maiden voyage.

AID officials made elaborate plans to build an $850,000 railroad spur from Chaman in Pakistan to Spin Baldack in Afghanistan. IGA could find no "economic justification" for the project. AID officials then promised to spend the money on a "more productive" project. It is not reassuring to U.S. taxpayers to know that the same AID officials who were going to spend $850,000 of our money on a useless railroad spur will have authority to spend the money on something else which *they* decide *is* useful.

In Laos, IGA inspectors found 20 new U.S.-financed windmills that were unneeded and unused. AID thereupon arranged to give the windmills to Thailand. The windmills cost U.S. taxpayers $50,000. Additional cost of shipping them from Laos to Thailand is not known.

In the Dominican Republic, an AID-financed bridge built across the Yuna River was equipped with 12 tall lighting fixtures. The need to provide electricity for the fixtures was overlooked for two years.

AID spent our tax money to help finance gambling facilities in Turkey.

AID spends thousands of dollars airlifting to Vietnam non-military goods which go unused for long periods of time after their arrival. In one case, AID spent $40,000 to airlift 12 tons of pipes and fittings (worth $6000). Another $25,000 was spent to airlift teletype equipment for which no immediate use was indicated.

AID sent $1.4 million worth of structural steel to Vietnam for the construction of barges. Only a small amount was used for that purpose. When the balance was found unused in storage, AID reallocated it for "use in the post-Tet emergency."

Large quantities of AID-financed rice spoiled in Vietnam because of improper storage. The AID mission in Vietnam divested itself of responsibil-

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ity, however, explaining that it was the U.S. Army's job to fumigate the rice.

Some 18,000 AID-financed books, intended for use in the Vietnam education system, were found on Saigon docks marked for auction. The AID staff in Saigon did not know the books existed.

AID not only loses track of money and commodities, but of people as well. IGA discovered that countless Vietnamese, still carried on AID rolls as refugees in certain Corps areas, had long since been resettled, and were not refugees at all.

IGA found that AID had on hand, for projects in Eastern India, nearly $2.5 million more than it could spend. This discovery did not result in a saving for American taxpayers. The $2.5 million that AID could not find a way to spend in India was "deobligated" for use in that country, so that it could be spent somewhere else.

Approximately the same situation was discovered in China and in the Philippines: a total of $1.5 million in American loan funds "standing idle." The money was "decommitted" so that AID could spend it elsewhere.

In Korea, IGA discovered that the Peace Corps, in making purchases, gave preference to foreign goods when American merchandise was available and preferable. In Micronesia, Peace Corps procurement procedures also revealed that personnel of the Corps know, or care, little about American economic facts of life.

In a paragraph headed "School Partnership program," IGA inspectors had this to say:

"Under this program American school children make contributions to foreign schools with which the Peace Corps is associated. The Peace Corp adopted IGA recommendations for improving the financial management of this program."

How has the Peace Corps been mismanaging this money contributed for charitable purposes by American school children? The American public will never know. The bureaucracy's most deplorable misbehaviors are seldom revealed.

Not all of our foreign aid money is spent to help foreigners. Some of it provides benefits for Americans — government officials and private businesses, especially.

In one year, 1175 U.S. government officials visited the U.S. military mission in Iran. Round-trip transportation cost (Washington-Iran) for each was $979; per diem expense allowance for each was $20. If the officials averaged five days each in Iran (a conservative estimate), the total cost to U.S. taxpayers (for 1175 U.S. officials, to visit one military mission in one country, in one year) was $1,267,825 — $1,150,325 for transportation; $117,500 per diem allowances for expenses. That does not include the salary paid to each of the 1175 officials while he was making the trip.

When an American company provided AID-financed services to Pakistan, AID made payment to a foreign subsidiary of the company located in a third country, rather than to the home office of the company located in the United States. Such transactions appear on the U.S. balance-of-payments as "negative items" — but they enable the private company to avoid paying U.S. income tax on the amounts involved.

AID often pays one-half of the cost of surveys conducted by private businesses to determine the feasibility of foreign investments. IGA persuaded AID to remove $800,000 from this fund, for use on other projects.

AID contractors often buy automobiles (which our tax money pays for) from private dealers at prices substantially above those the government pays for cars purchased through the General Services Administration.

By way of advertising its own activities, AID has gummed paper labels stuck on AID-financed taxis in Latin American countries. The labels

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(which display the words "Alliance for Progress," and the handclasp that symbolizes the program) cost less than 2¢ each. One supplier charged $7.50 for pasting two labels on each taxi.

And, of course, graft is involved in a foreign-aid program so vast that it cannot possibly be supervised adequately.

In 1967, an IGA inspection team discovered that AID had paid $544,075 in ocean freight fees, to a shipping firm controlled by communist China, for hauling rice from Thailand to South Vietnam, where AID gives the rice away in the U.S. pacification program. Three Saigon officials, who arranged the illegal deal, got $92,000 in kickbacks.[2]

The total of all the money involved in all the projects mentioned in this *Report* constitutes only a small fraction of the $171 billion that foreign aid has cost American taxpayers since 1946. But the cases illustrate a significant fact: in one day, one nonproductive bureaucrat (through stupidity, carelessness, or malicious intent) can waste all the federal taxes paid in an entire year by 1000 productive citizens. The bureaucrat is seldom disciplined, or even reprimanded. On the contrary, the 1000 citizens whose taxes he wastes must be taxed more heavily to compensate for the waste.

There is much cause for alarm at the mushrooming growth in number of nonproductive people who are supported by the producers in our society. People swelling relief rolls because they refuse to work are not only sapping the economic strength of productive, tax-paying citizens, but are also creating dangerous social problems.

There is equal cause for alarm at the mushrooming growth in number of federal employees. Nonproductive bureaucrats swelling federal payrolls are not only soaking up billions of tax dollars a year for their own salaries and expenses, but are also plundering the people for vast illegal spending programs that do great harm, not only to our country and to taxpayers who foot the bill, but to intended beneficiaries as well.

Periodically, the taxpayers' demand for a "change" is superficially satisfied. A new President is elected, and a few new faces appear in Congress. But nothing really changes, and never will change, as long as the people continue to pay income tax, and surtax piled on top of income tax, for programs that have no constitutional basis for existence at all.

Stop demanding "reforms" in such programs as foreign aid. Start demanding that they be abolished, because they are unconstitutional.

WHILE THEY LAST

Do you know how members of the 90th Congress voted on foreign aid issues? While they last, you may purchase our $1.00 edition of "Record of the 90th Congress," for only 75¢ a copy. This Record explains the fundamentals of constitutional government and tabulates 76 roll-call votes of the 90th Congress, giving conservative ratings of all members.

FOOTNOTES

(1) See "Scandalous Foreign Aid," *The Dan Smoot Report*, Mar. 18, 1968, pp. 45-8

(2) *Los Angeles Herald-Examiner*, Dec. 21, 1967

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